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The Cellular Divide: A Comparative Analysis of Mobile Phone Usage in Spain and the United States

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Oral Presentation O1.3

**THE CELLULAR DIVIDE: A COMPARATIVE ANALYSIS OF MOBILE
PHONE USAGE IN SPAIN AND THE UNITED STATES**

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The usage of mobile phones has dramatically increased in the past decade, narrowing the boundaries of size, space, and time. It is this “death of distance” that will be the single most important economic force shaping all of society over the next half century. The economic prosperity of the United States has contributed to the increase in this “luxury” telecommunication device, but how can the rapid increase in European countries with lower per capita incomes such as Spain be explained?

The purpose of this paper is to examine mobile phone usage and penetration rates in the United States compared to Spain. This research question will be addressed by analyzing determinants of supply and demand in the market structures of each country. An emphasis will be placed upon differing pricing structures within the two countries. Explanatory demand related factors include the availability and prices of substitutes and complements, and tastes and preferences. Supply-side variables include the impact of regulation and technology.

The paper concludes that an important reason behind the rapid growth in cellular mobile penetration that Spain recently experienced is due to the introduction of pre-paid pricing schemes in a country with a Calling Party Pays (CPP) pricing structure, coupled with the relative effects of the determinants of demand and supply in each mobile communications market.